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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

WS-21 July 23, 1938.

THE WHEAT SITUATION
- Including Rye -

JUL 2

Summary

Prospective world wheat supplies* for the year beginning July 1, 1938, are now estimated at 4,850 million bushels or about 475 million bushels above those of a year earlier and are the largest on record except for the 1930-33 period. The 1938-39 world production is now tentatively placed at about 4,200 million bushels, which is 375 million bushels above that of last year. If present prospects materialize this will be an all time record. The largest previous world crop was in 1928, estimated at 3,996 million bushels.

Production in the Northern Hemisphere may be about 3,730 million bushels, or about 350 million more than a year ago. Significant increases, compared with 1937, are indicated for both Canada and the United States. European production is now indicated to be almost 50 million bushels more than the 1937 crop. In the Southern Hemisphere seeding is nearing completion and present indications point to a crop larger than last year's in Argentina, but smaller in Australia. World carry-over of old wheat on July 1 was probably around 650 million bushels, about 100 million bushels above the world total of a year earlier.

Total world trade in wheat and flour may not be much different in 1938-39 from that of the past year, but on the basis of the present supply outlook it is doubtful that imports of overseas wheat will be as large as in either of the past 2 seasons. Political and military consideration in Europe, however, might make for some large purchases during the course of the year, which would raise the total. The European exporting countries, namely the Danube Basin, Poland, also Turkey, all promise to have significantly larger crops this year than last, and might supply as

* All references to world and Northern Hemisphere supplies and production exclude Soviet Russia and China unless otherwise stated.

much as a third or more of the Continental European import requirements. Imports by non-European countries in 1938-39 may not be much different from those of the year just past.

Government activity in the European grain trade promises to play an increasingly important role during this season. The restoration of import restrictions and special trade negotiations in many importing countries is already under way.

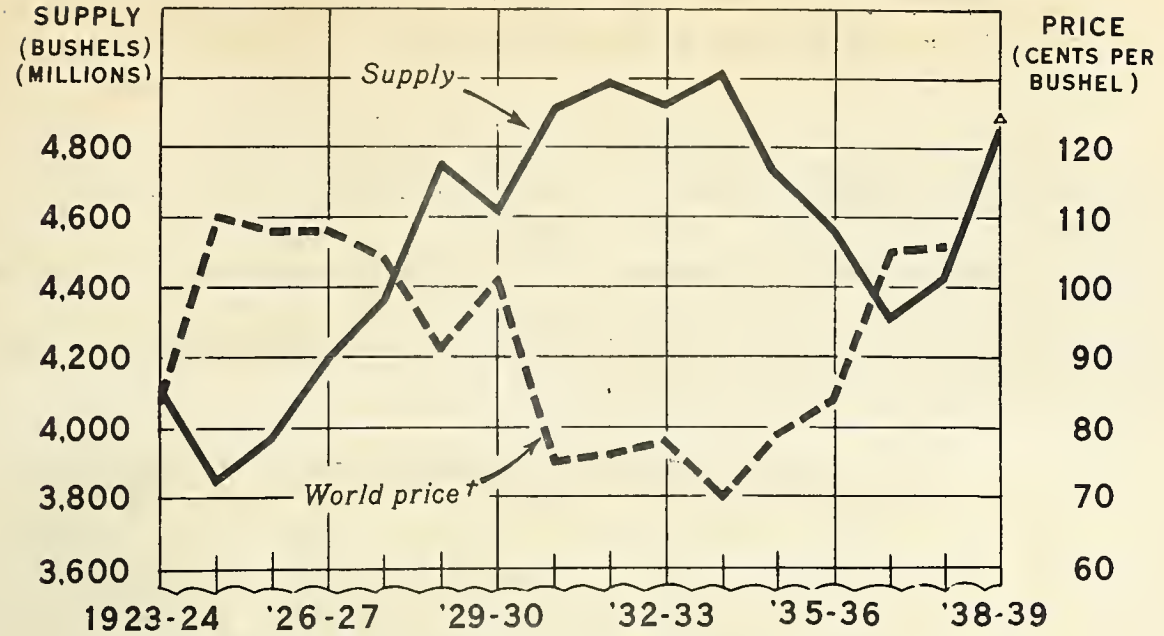
A United States wheat crop of 967 million bushels, the largest since 1915 and the second largest on record, was indicated by July 1 conditions. A crop of this size would be about 285 million bushels in excess of the 10-year(1928-37) average domestic disappearance of 683 million bushels. The carry-over on July 1 this year is now estimated at about 180 million bushels, and with prospects for exports in 1938-39 less favorable than in the crop year just ending, the carry-over into July 1939 might exceed the record carry-over of 378 million bushels on July 1, 1933.

If there is not much change in demand, the large wheat supply in prospect will result in lower world prices than were received in 1937-38. With supplies in the United States large, domestic prices are expected to continue below world levels. World and domestic wheat prices now have largely adjusted to the new crop basis, and changes in the next month or so will probably be affected chiefly by changes in spring wheat conditions in the United States and Canada. The price effects of large wheat supplies may be offset to some extent by bouyancy reflected in the speculative markets and in the general price level. While only a part of the wheat supplies in excess of domestic utilization will come under the wheat loan, it is nevertheless expected that the loan will serve as a check on further domestic price declines.

A United States rye crop of about 51 million bushels was indicated by July 1 conditions. This represented about a 4 million-bushel reduction from indications of a month earlier but was still about 2 million bushels above the 1937 crop and about 15 million bushels larger than the 1927-36 average. In the important central European producing countries the rye crop promises to be significantly above the reduced harvests of 1936 and 1937 and overseas demand for United States rye this year will accordingly be reduced. There has been little net decline in rye prices since early June and it seems probable that further declines will be slight.

The August issue of this report - the Summer Outlook issue - will contain facts of most significance to wheat farmers in planning their seeding programs.

WHEAT: WORLD SUPPLY AND PRICE, 1923 TO DATE*



*YEAR BEGINNING JULY △ PRELIMINARY
†AVERAGE BRITISH PARCELS DEFLATED BY STATIST INDEX (1910-14=100)

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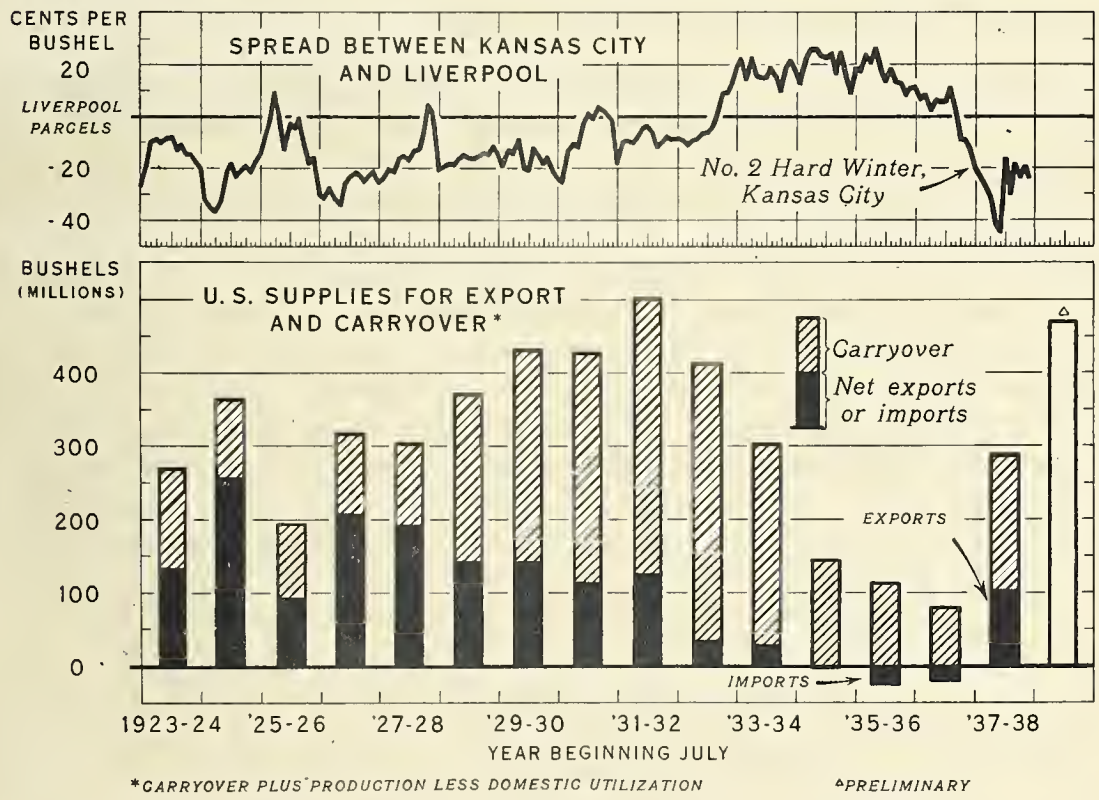
FIGURE 1

WHEAT: SPREAD BETWEEN PRICE AT KANSAS CITY AND LIVERPOOL, AND U. S. SUPPLIES FOR EXPORT AND CARRYOVER, 1923 TO DATE



*CARRYOVER PLUS PRODUCTION LESS DOMESTIC UTILIZATION △PRELIMINARY

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FIGURE 2

WORLD WHEAT SUPPLIES FOR THE YEAR BEGINNING JULY 1, 1938, ARE EXPECTED TO BE LARGER AND WORLD PRICES LOWER THAN IN 1937-38. EXPORTABLE SUPPLIES IN THE UNITED STATES ALSO ARE LARGE, AND DOMESTIC PRICES ARE EXPECTED TO CONTINUE BELOW WORLD LEVELS.

THE WORLD WHEAT SITUATION

BACKGROUND.- Total world supplies of wheat, after increasing from 1929 to 1933, declined sharply following successive years of small production and increased world demand. The apparent world disappearance has averaged about 3,770 million bushels during the past 10 years. World prices of wheat moved steadily upward from the spring of 1933 to the summer of 1937, reflecting higher world commodity price levels, four successive below-average harvests in North America, and the 1935-36 short Southern Hemisphere crop. In 1936-37 wheat prices advanced sharply as a result of increased demand and the smallest supplies in recent years.

World wheat production* in 1937-38 is estimated at 3,827 million bushels, or about 290 million bushels larger than in 1936-37. World stocks* about July 1, 1937, however, were estimated at around 215 million bushels smaller than a year earlier, resulting in total supplies in 1937-38 about 75 million bushels larger than the small supplies in the preceding year. Net exports from Soviet Russia in 1937-38 are estimated at about 38 million bushels compared with 4 million bushels in 1936-37. With somewhat larger supplies, uncertain prospects for world business activity, and weakness in the general price level, wheat prices declined generally during the 1937-38 selling season.

Prospective world wheat crop largest on record

The 1938-39 world wheat production is now tentatively placed at about 4,200 million bushels, which is an all time record. The previous high-record crop was in 1928, when approximately 3,996 million bushels were produced. Table 1 shows the Bureau's first tabulation by countries of estimated 1938-39 production 1/.

Canadian production 2/ is tentatively estimated by the Bureau at 360 million bushels, on the basis of weather and yield studies. Spring wheat in Canada deteriorated slightly during June and was reported on June 30 as being 91 percent of the long-time average, compared with 99 percent on May 31, and only 51 percent at the end of June last year. Prospects also declined slightly during the first half of July as the result of dry weather. While the condition of the spring wheat crop on the whole is favorable, moisture deficiency is hampering normal crop development in southern and central Manitoba, north central Saskatchewan and northern Alberta. The Dominion Bureau of Statistics reports that wheat is heading over the southern and central portion of the Prairie Provinces; stands are heavy, making good moisture supplies essential for the proper filling of the heads. Traces of stem rust have been reported in Saskatchewan and fairly heavy infections were found on non-rust resistant varieties in Manitoba. Only slight hail damage has been noted in Alberta and Saskatchewan but some serious damage was reported in southwestern

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* Stocks, production, and disappearance for Soviet Russia and China are excluded throughout this report.

1/ The 1938 harvest in the Northern Hemisphere and the late 1938 and early 1939 harvest in the Southern Hemisphere.

2/ See page 11 for discussion of crop prospects in the United States.

Manitoba. Grasshoppers are active in Manitoba and Saskatchewan. It is reported that about 3 million acres of wheat in Saskatchewan are in danger from grasshopper devastation. Heavy damage has already occurred over a large area.

In Europe favorable weather during late May and June resulted in a very material increase in prospects. The crop is now estimated at almost 1,600 million bushels, compared with the 1937 crop of 1,548 million bushels. During the latter part of May and June abundant rains broke the extensive spring drought and caused marked improvement, especially in the Scandinavian countries, western Europe and Italy. The crop in Italy is now officially estimated at 257 million bushels, which would indicate a remarkable recovery. This estimate, however, appears rather large in view of an estimate in late June by the Paris office of the Bureau of 220 million bushels. Harvesting is generally expected to be somewhat delayed in most European countries as a result of the slow development of the crop caused by the cool, backward spring. The largest indicated increases are noted for France, Germany, Hungary and Rumania. Estimates of the French crop show wide variations, ranging from 293 to 349 million bushels. This disparity is caused by differing evaluations of crop improvement, following rains in May. The Paris office of the Bureau estimates the crop at 301 million bushels, but states that if favorable weather continues this may be revised upward. The estimates for Italy and Spain show the greatest reductions compared with last year.

Soviet Russia will probably harvest a smaller crop than in 1937, according to a report from the Berlin office of the Bureau. Officials of the Soviet Union are said to have reported that spring wheat has been widely damaged by heat and drought.

The crop in Northern Africa is indicated to be slightly less than that of a year ago. The quality of the crop is considered to be fairly good.

Production in Asia, excluding China, is estimated at about 620 million bushels, compared with the 1937 crop of 586 million bushels. Most of this increase took place in India, where production is reported at 392 million bushels, or 25 million more than the 1937 harvest.

In Argentina wheat sowing is nearing completion, weather has been favorable and the plants which have started growth are in excellent condition. The continued low temperature has greatly benefited the crop. Heavy rains have provided excellent subsoil moisture reserves but there is some danger of this moist condition stimulating the growth of weeds later. On the basis of weather conditions to date and a moderate increase in acreage the crop is tentatively placed at 250 million bushels compared with 185 million last season.

Growing conditions in Australia are fairly satisfactory in spite of deficient subsoil moisture. Rains will be needed to maintain the present condition as subsoil moisture reserves are lacking in some parts of the country where no really adequate rains have fallen for the past 8 or 9 months.

The 1938 harvest in China is estimated to be the same as that of last year and the quality of the crop is said to be slightly better.

Table 1.- Production of wheat in specified countries, 1935-36 to 1938-39

Country	1935-36	1936-37	1937-38	1938-39
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
NORTHERN HEMISPHERE				
North America:				
United States	626,344	626,766	873,993	967,412
Canada	281,935	219,218	182,410	1/ 360,000
Mexico	10,712	13,606	10,586	2/ 12,000
Total (3)	918,991	859,590	1,066,989	1,339,412
Europe:				
England and Wales	60,592	51,445	52,005	(
Scotland	4,480	3,547	4,181	(3/ 59,700
Northern Ireland	362	273	164	(
Ireland	6,686	7,839	6,990	3/ 7,900
Norway	1,869	2,094	2,497	3/ 2,400
Sweden	23,610	21,635	25,720	3/ 23,900
Denmark	14,672	11,266	13,522	3/ 12,500
Netherlands	16,653	15,428	12,959	3/ 14,700
Belgium	16,101	16,153	15,550	16,167
France	284,950	254,618	253,537	4/ 301,300
Spain	157,986	121,492	4/132,000	4/ 102,900
Luxemburg	1,022	1,071	1,206	1,213
Portugal	22,092	8,651	14,540	16,534
Italy	282,760	224,570	287,000	5/ 257,203
Switzerland	5,974	4,470	6,081	6,210
Germany	171,488	162,660	164,120	3/ 176,400
Austria	15,509	14,039	14,470	3/ 15,400
Czechoslovakia	62,095	55,583	51,266	3/ 57,000
Greece	27,180	19,537	32,373	3/ 27,600
Poland	73,884	78,357	70,774	3/ 79,000
Lithuania	10,093	8,027	8,109	3/ 7,900
Latvia	6,520	5,272	6,302	3/ 6,100
Estonia	2,267	2,433	2,786	3/ 2,600
Finland	4,233	5,259	6,320	3/ 5,900
Malta	179	236	326	2/ 300
Albania	1,554	1,106	1,466	2/ 1,500
Total (26)	1,274,811	1,097,061	1,186,264	1,202,327
Bulgaria	47,925	60,350	64,910	59,120
Hungary	84,224	87,789	72,158	87,964
Rumania	96,439	128,717	138,158	154,322
Yugoslavia	73,100	107,422	86,253	86,300
Total (4)	301,688	384,278	361,479	387,706
Total Europe(30)	1,576,499	1,481,339	1,547,743	1,590,033

Continued -

Table 1.- Production of wheat in specified countries, 1935-36 to 1938-39 - Cont'd.

Country	1935-36	1936-37	1937-38	1938-39
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
NORTHERN HEMISPHERE-Contd:				
Africa:				
Algeria	33,532	29,774	33,209	30,864
Morocco	20,036	12,234	20,895	26,051
Tunisia	16,902	8,083	17,637	14,213
Egypt	43,222	45,700	45,378	2/ 42,000
Total (4)	113,692	95,791	117,119	113,128
Asia:				
Palestine	3,834	2,795	4,682	2/ 4,000
Syria and Lebanon	18,520	15,704	17,210	2/ 18,000
India	363,216	351,680	366,539	392,075
Japan	48,718	45,192	50,410	6/ 50,279
Chosen	9,747	8,095	10,242	(10,000)
Turkey	92,641	141,582	136,483	7/147,000
Total (6)	536,676	565,048	585,566	621,354
Total 43 countries	3,145,858	3,001,768	3,317,417	3,663,927
Estimated Northern Hemisphere total, excluding Russia and China	3,225,000	3,067,000	3,383,000	3,730,000
SOUTHERN HEMISPHERE				
Argentina	141,462	249,193	184,801	1/ 250,000
Australia	144,218	151,390	186,918	2/ 150,000
Union of South Africa	23,709	16,077	10,157	2/ 11,000
Estimated world total, excluding Russia and China	3,601,000	3,540,000	3,826,000	4,202,000

Compiled from official data except as otherwise noted.

1/ Based on weather conditions to date.
2/ Approximation.
3/ Estimate of the Berlin Office of the Bureau.
4/ Estimate of the Paris Office of the Bureau.
5/ The Paris Office of the Bureau regards this official estimate as being too high.
6/ Estimate of the Shanghai Office of the Bureau.
7/ Estimate of the Belgrade Office of the Bureau.

World wheat stocks about 100 million bushels larger than year ago

World stocks 3/ of old crop wheat on about July 1 are tentatively estimated at 650 million bushels, which is about 100 million more than those a year ago. This increase is almost entirely in the United States. Supplies for export or carry-over in Canada, Argentina, Australia, and United Kingdom port stocks and stocks afloat (table 6) are only slightly larger than a year ago. Increases for Australia and Argentina offset a decrease for Canada. While it is too early to have many reports from European countries, total European stocks are expected to be little different from last year. The carry-over in Germany now seems likely to be well above a year ago, which about offsets very low stocks in a number of important wheat countries, notably France, Italy and Spain.

With large supplies in prospect in surplus wheat producing countries and relatively low prices, European stocks are expected to be considerably larger a year from now. The carry-over this year and last may be regarded as the low points in the carry-over series.

Overseas trade in wheat in 1938-39 now expected to be smaller

On the basis of the present crop outlook and supply situation it now seems doubtful that the imports of overseas wheat in 1938-39 will be as large as in either of the past 2 seasons (tables 7-10). Net imports into deficit European countries for the year beginning July 1, 1937 are estimated by the Bureau at 397 million bushels compared with 435 million bushels a year earlier. Political and military conditions in Europe, however, might make for some abnormal purchases during the current year (beginning July 1), which would raise the total. While Italy is a prospective large importer compared with this past season, only a moderate quantity seems likely to be supplied by overseas countries, unless obtained under very favorable conditions. Also, Germany which imported large quantities in 1937-38 will need very little foreign wheat for consumption, outside of takings for Austria. A virtual cessation of French imports, except small quantities from North Africa, is likewise indicated.

The European exporting countries, namely the Danube Basin, Poland, and Turkey, all promise to have significantly larger crops than last year, and might supply as much as a third or more of the Continental European import requirements. Should Soviet Russia, however, be a less active exporter than in the past year, it would tend to offset the effect of the larger European surplus supplies. Table 11 shows exports from Soviet Russia annually for 1933-34 to 1936-37 and for 10 months in 1937-38.

Imports by non-European countries in 1938-39 may be not much different from those in 1937-38. Of the countries making up this list, the year-to-year variations in imports are largely by the Oriental countries. It is expected that depressed economic conditions and foreign exchange difficulties in these countries will restrict imports in spite of small wheat crops. Practically no non-Oriental wheat was imported into China during 1937-38 and prospects for imports into that country in the new marketing year are not bright. Total

3/ A table showing world supply and disappearance, which includes carry-over stocks 1922 to 1937, was published in "The Wheat Situation", June 1938, page 14.

imports of flour into China this season, estimated at something over 2 million barrels, will be supplied very largely by Japan and Manchuria, with only limited quantities probable from the United States, Canada and Australia into South China 4/. In 1936-37 a total of only 280,000 barrels of flour was imported into China.

Japan, after having been a net importer for several decades, in 1937-38 became a net exporter of wheat, including flour in terms of grain. Total wheat and flour imports into Japan, in terms of grain, are not expected to exceed 4,850,000 bushels compared with a total of 7,789,000 bushels in 1936-37. Exports of flour, however, resulting largely from heavy shipments to North China, may total as much as 2,600,000 barrels compared with 985,000 barrels in 1936-37. Flour exports from July 1, 1937, through April 1938, amounted to 2,359,000 barrels.

Until the Canadian crop moves to market the United States will have to compete for the United Kingdom market primarily with the Danube Basin countries. Moreover, in view of the present supply situation in Europe and North America, also early acreage and weather reports from the Southern Hemisphere, it would not be surprising if several countries held off active buying until winter or next spring, using up domestic new crop supplies while awaiting further market declines.

European Government control measures increasingly important

Government activity in the European wheat and grain trade promises to play an increasingly important role during the coming months. This is due not only to the new crop measures and special trade deals, but especially to the recent marked decline in world wheat price levels. The restoration of import restrictions and special trade negotiations in many importing countries is already under way. Holland is reported to have recently increased the duty on all grains, and Belgium has re-established the license fee. In Denmark, the sliding scale duty is coming into effect again. Special trade negotiations have been actively going on in recent weeks and more are likely. Germany has been particularly active along this line, in view of the inclusion of Austria in the Germany control system. It is reasonable to expect that practically all of Austria's former overseas takings will be replaced by European wheat.

Another form of Government activity which may become significant is the creation of "emergency stocks" in many countries. This is not a new question, but the higher level of prices prevented much action along this line until recently. Germany has already made some sizable imports which have enabled the replenishment of stocks, and further accumulations may be made if barter trade arrangements prove favorable. England also has purchased quantities of wheat for stocks, and Holland is considering somewhat similar steps. The French Government, likewise, is reviewing plans for the disposal of the surplus which now seems apparent from the new crop, and one probable move is the building up of reserve stocks.

Admixing, especially of corn and potato flour to wheat or rye flour, continues to receive much attention in importing countries. In Norway, a

4/ Reported by the Shanghai office of the Bureau of Agricultural Economics.

special agricultural committee has recently recommended that the Grain Monopoly carry out experiments regarding the admixture of potato flour. In Czechoslovakia the Defence Ministry is reported to be considering the approval of a 10 percent potato flour admixture in flour for army purposes. In Italy the 20 percent admixture decreed in May, however, appears to have proved quite unpopular and unsatisfactory, and has now been reduced to 10 percent. In Germany, some relaxation of the admixture requirements is conceivable, during the coming year, especially for rye, if good crops are harvested. In France numerous measures are being considered for the increased utilization of wheat, i.e., the denaturing of certain quantities for feed and the distillation of wheat for alcohol.

Foreign prices decline with prospects of large crop 5/

Wheat markets have been dominated by prospects of the large new crop and, where not fixed, prices have tended downward since the middle of June. On controlled markets the setting of the new crop prices is now under consideration.

Table 2.- Prices of imported wheat at Liverpool

Date (Friday)	Hard wheats				Soft wheats		
	U.S. (Gulf) No.1 Dk. Hd.Winter	Argentine Barusso	Canada No.3 Manitoba 1/	Russian	U.S. (Pacific) White	Australian 1/	India choice Karachi 1/
1938	Cents	Cents	Cents	Cents	Cents	Cents	Cents
June 3	102.0	97.8	118.2	---	83.8	92.0	88.5
10	107.7	99.1	117.7	99.9	90.6	96.0	90.6
17	111.1	104.1	119.7	---	96.3	101.0	92.5
24	108.5	104.3	121.7	104.7	90.7	99.2	91.9
July 1	106.1	103.4	115.4	99.8	89.8	99.9	92.1
8	2/88.8	100.7	108.4	92.6	87.2	98.0	91.1
15	90.2	99.4	110.2	87.9	86.3	97.1	94.0

1/ Empire wheat qualifying for Imperial Preference is exempt from duty (approximating 6 cents per bushel) under Ottawa Agreements of November 1932. 2/No. 2 Hard Winter.

Table 2 shows prices of imported wheat in Liverpool. Since mid-June the price of United States wheat has declined further than the price of other wheats chiefly as the result of large carry-over and new crop wheat supplies in the United States compared with relatively small supplies and reduced selling pressure by other countries. Table 4 shows average closing prices, and their decline since the middle of June, in Winnipeg, Liverpool, Buenos Aires compared with prices in Chicago, Kansas City and Minneapolis.

5/ Domestic wheat prices discussed on page 13 .

On wheat markets where prices are controlled, downward adjustments seem likely in some cases, but in general it appears that another period of low world wheat prices will stimulate full protection of the local markets. In the European exporting countries dual price systems are probable if world prices drop to much lower levels.

A minimum wheat price for Canada for the year beginning August 1 is expected to be announced by the Canadian Wheat Board on about July 27. Indications are that the Board will establish the minimum price below the current market and below corresponding loan levels in the United States. In addition to the payment farmers are expected to receive participating certificates entitling them to share in any profits that may result should the wheat be disposed of at prices above the fixed minimum.

THE DOMESTIC WHEAT SITUATION

BACKGROUND.- The carry-over of wheat in the United States for the 5 years 1924-28 averaged about 115 million bushels. Stocks which began to accumulate in 1929 reached the record peak of 378 million bushels in 1933. Four small wheat crops, however, reduced stocks to about 100 million bushels by July 1, 1937. Domestic disappearance during the 10 years 1928-37 averaged 683 million bushels.

Domestic wheat prices from the spring of 1933 to that of 1937 were unusually high relative to world market prices, because of four small domestic crops caused largely by abnormally low yields per acre. During 1936-37 both world and domestic prices advanced sharply as a result of increased demand and the smallest supplies in recent years.

Early in the 1937-38 season, domestic and foreign wheat prices rose sharply following reports of serious damage to the Canadian crop and the threat of rust damage in the United States. It was thought possible at that time that world prices might remain sufficiently above the 1936-37 level to offset the decline in United States prices to an export basis. However, with an increase of over 100 million bushels in the estimate of the world crop, prospects of large shipments from Soviet Russia, a slow European demand, disturbed business conditions, and a falling general commodity price level, wheat prices in world markets declined.

Second largest United States wheat crop in prospect

United States wheat crop of 967 million bushels, the largest since 1915 and second largest on record, was indicated by July 1 conditions. This represents a reduction of about 45 million bushels from the estimate of a month earlier. Table 3 shows production and acreage of wheat for the 10-year average, 1937 and 1938. Production by classes was indicated as follows in

million bushels, with the 10-year (1927-36) average in parenthesis: hard red winter 412(313), soft red winter 242(182), hard red spring 176(129), durum 35(42), and winter and spring white 102(86).

During June winter wheat prospects declined in the Great Plains area where wheat threshed out below earlier expectations. Indicated yields per acre were also sharply below those of a month earlier in Iowa, Oregon and California. East of the Mississippi prospects in general improved slightly. In North and South Dakota semi-drought conditions during most of June lowered spring wheat prospects materially in areas which started the crop season with deficient subsoil moisture. Benefits from late June rains in these areas was more than offset by insect and grasshopper damage and by probable rust loss. An early spring in Minnesota permitted large seedings, and growing conditions have been generally favorable. Prospects in Montana on July 1 were well above average, and in other Western States they were average or better. Prospects in North Dakota---an important durum producing State---declined materially during June with yields indicated to be slightly below average.

Table 3.- Acreage and production of wheat, United States, 10-year average, 1937 and 1938

Kind of wheat	Acreage harvested or to be harvested			Production		
	Average 1927-36	1937	1938	Average 1927-36	1937	Indicated 1938
	Million acres	Million acres	Million acres	Million bushels	Million bushels	Million bushels
Winter wheat	37.3	46.9	49.9	546.4	685.1	715.4
Durum 1/	3.6	2.8	3.5	40.1	27.8	33.4
Other spring	14.4	14.8	17.7	166.4	161.1	218.6
Total	55.3	64.5	71.1	752.9	874.0	967.4

1/ Minnesota, North Dakota and South Dakota.

Since July 1, temperature in the spring wheat area has been generally above normal with precipitation more than twice normal in eastern Montana and western North Dakota, considerably above normal in western Montana, western South Dakota and eastern North Dakota, only slightly above normal in southern Minnesota and below normal in eastern South Dakota and northern Minnesota.

In its report on June 22, the Bureau of Entomology and Plant Quarantine stated that stem rust of wheat developed very rapidly during the past week on Ceres and Marquis wheats in North Dakota and northeastern Montana. Heavy initial infection apparently took place in this area during late June and early July and rust is now epidemic on these varieties but as yet the extent of the damage cannot be determined. Rust still is relatively light on most durums. A conspicuous feature of rust development this year

is that the epidemic extended northward and westward from the hard red winter area but not northeastward as in 1937. The total damage for South Dakota will not be great and losses from stem rust in Minnesota will be relatively slight, but there will be serious loss in many fields of Marquis and Ceres in North Dakota and eastern Montana. Thatcher, which is planted extensively in Minnesota and the eastern Dakotas, is maturing relatively free from stem rust.

Grasshoppers are reported to have caused considerable damage to spring wheat in eastern and southeastern North Dakota, northern and eastern South Dakota and eastern Montana.

U. S. stocks of old wheat tentatively estimated at 180 million bushels

On June 15 stocks of old wheat in the United States were tentatively estimated at 180 million bushels, 20 million bushels less than the September 1937 estimate of the Bureau. The total includes stocks on farms, in country elevators and mills, in cities (commercial stocks), and in merchant mills and elevators. Stocks of old wheat on farms July 1, were estimated at 59 million bushels and in cities at 22 million bushels and in country elevators at 32 million bushels, making a total for these three items of 113 million bushels, compared with 91 million in 1937. Estimates of stocks in merchant mills and elevators will not be available until late this month, and will be published in the August issue of "The Wheat Situation". Probable total annual disappearance and April-June disappearance indicate that the merchant mill and elevator stocks may total about 65 million bushels.

Total United States exports of wheat and flour in terms of wheat for the July-June 1937-38 year are now estimated at 100 million bushels, 5 million more than the estimate made by the Bureau in September 1937. Assuming the estimates of carry-over and exports to be correct, the supply and distribution for 1937-38 was about as follows: Stocks of old wheat on July 1, 1937, at 91 million bushels and production at 874 million bushels, making total supplies (aside from imports for domestic use of less than 1 million) of 965 million bushels. This is accounted for by exports of 100 million bushels, June 30, 1938, stocks of 180 million bushels and apparent domestic disappearance of 685 million bushels.

Domestic wheat prices decline with heavy new crop movement

After advancing the first half of June, influenced by early threshing returns showing the result of frost injury to winter wheat and by concern over black stem rust, domestic wheat prices declined during late June and early July (tables 4 and 5). Besides the prospects for the best Northern Hemisphere crop in recent years, including favorable prospects for spring wheat in both Canada and the United States, heavy marketings of new winter wheat have taken place, fear of rust damage has been less pronounced and demand in both domestic and foreign markets has been slow.

Domestic prices have now largely adjusted to the new crop basis, and changes in the next month or so probably will be affected chiefly by changes in spring wheat conditions in the United States and Canada. The price effects of large wheat supplies may be offset to some extent by bouyancy reflected in the speculative markets or in the general price level. The wheat loan program offering cooperating wheat producers loans at farm rates averaging between 59 and 60 cents a bushel was officially announced by the Secretary of Agriculture on July 14. The loan rate, made under provisions of the Agricultural Adjustment Act of 1938, is approximately 52 percent of the present farm parity price of $1.14 per bushel. 6/ While only a part of the wheat supplies in excess of domestic utilization will come under the wheat loan, it is expected nevertheless, that the loan will serve as a check on further domestic price declines.

6/ Parity price obtained by multiplying the August 1909-July 1914 average farm price of wheat by the June 15, 1938 index of prices paid, plus interest and taxes payable by farmers and divided by 100. (88.4 x 129 ÷ 100 = 1.14)

Table 4.- Average closing prices of September 1/ wheat futures, specified markets and dates, 1937 and 1938

Date	Winnipeg 2/		Liverpool 2/		Buenos Aires		Chicago		Kansas City		Minneapolis	
	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month-												
Apr.	121.3	88.9	132.4	98.0	---	---	119.3	81.6	115.5	77.6	125.0	87.1
May	119.5	84.0	130.3	92.3	---	---	116.7	77.1	113.4	73.3	121.4	80.9
June	117.3	82.9	125.2	86.6	---	---	111.5	76.5	108.4	72.4	120.3	82.6
Week ended												
June 4	112.4	76.9	123.6	81.5	---	---	109.8	71.0	106.7	67.4	115.7	75.9
11	110.7	80.1	120.2	84.4	---	---	108.2	75.4	105.4	72.0	114.3	80.3
18	114.8	85.3	123.4	88.6	3/110.1	---	108.8	80.0	105.4	76.1	117.6	88.6
25	122.0	85.8	127.8	87.7	3/114.4	82.9	114.4	77.7	111.4	72.7	126.4	85.2
July 2	134.4	83.8	138.6	88.1	3/124.5	82.7	123.4	76.0	119.2	70.6	135.8	81.6
9	138.1	78.8	140.6	84.6	3/122.6	80.8	124.6	72.6	120.0	67.1	139.6	77.8
16	142.9	78.4	144.1	84.8	124.3	78.8	126.1	72.2	122.1	67.0	141.6	77.8
High 4/	142.9	90.0	144.1	99.3	5/124.5	82.9	126.1	82.9	122.1	79.0	141.6	88.6
Low 4/	110.7	78.4	120.2	84.6	5/110.1	78.8	108.2	72.2	105.4	67.0	114.3	77.8

1/ October futures for Winnipeg and Liverpool
2/ Conversions at noon buying rate of exchange. 3/ August futures.
4/ April 9 to July 16, 1938, and corresponding dates for 1937; Buenos Aires for dates shown.
5/ August and September futures.

Table 5.-Weighted average cash price of wheat, specified markets and dates, 1937 and 1938

Date	All classes: and grades six markets		No. 2 Hard Winter: Kansas City		No. 1 Dk.N.Spring: Minneapolis		No.2 Hard Amber Durum: Minneapolis		No. 2 Red Winter: St. Louis		Western White: Seattle 1/	
	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Month-												
Apr.	140.8	86.2	140.0	84.6	160.0	110.5	172.0	100.0	143.6	85.0	119.5	81.4
May	131.5	82.0	132.0	79.7	146.3	105.3	128.4	88.4	131.9	76.9	115.8	77.0
June	123.0	81.3	120.8	76.7	145.0	105.0	128.4	90.0	122.3	74.8	112.5	73.7
Crop yr. ended June	121.2	106.3	121.4	110.8	146.9	127.9	156.9	106.9	111.1	112.6	107.7	88.2
Week ended-												
June 4	123.7	74.6	127.2	69.7	139.4	94.8	117.2	75.4	125.0	69.6	110.0	68.2
11	123.3	83.9	123.4	77.8	136.3	101.9	109.9	87.8	123.1	72.8	109.6	71.0
18	123.9	91.1	123.5	86.7	144.0	115.8	109.0	97.7	123.5	83.0	112.0	77.4
25	124.5	83.1	119.6	77.4	152.2	105.6	131.6	92.3	119.8	79.6	114.8	76.3
July 2	122.4	73.3	121.3	72.9	151.9	105.1	148.1	83.9	128.1	70.7	116.6	72.6
9	121.9	69.6	122.2	69.4	156.2	97.0	142.0	83.4	124.5	69.1	113.8	69.2
16	123.0	69.6	125.3	71.1	153.0	97.6	133.2	83.3	124.1	69.0	111.8	---
High 2/	145.5	91.1	144.5	86.7	169.8	115.8	164.2	101.4	144.7	85.7	122.0	82.2
Low 2/	121.9	69.6	119.6	69.4	136.3	94.8	109.0	75.4	119.8	69.0	109.6	68.2

1/ Weekly average of daily cash quotations, basis No. 1 sacked.
2/ April 9 to July 16, 1938 and corresponding dates for 1937.

Table 6.-Wheat surplus for export or carry-over in three exporting countries, United Kingdom port stocks and stocks afloat, July 1, 1935-38 1/

Position	1935	1936	1937	1938
	Mil.bu.	Mil.bu.	Mil.bu.	Mil.bu.
Canada:				
In Canada	215	145	42	33
In United States	9	15	6	1
Argentina	68	34	22	36
Australia	54	37	33	36
Total	346	231	103	106
United Kingdom port stocks	10	10	10	12
Stocks afloat to:				
United Kingdom	11	14	12	13
Continent	10	8	12	11
Orders	6	5	10	12
Total	37	37	44	48
Grand total	383	268	147	154

1/ For other than the United States: Carry-over at the beginning of the year (Canada, July 31; Argentina, January 1; Australia, December 1 of the previous year) plus production, minus domestic utilization for the year, minus monthly exports to date.

Table 7.- Movement of wheat, including flour, from principal exporting countries, 1934-35 to 1937-38

Country	Exports as given by official sources: Total 1934-35	Total 1935-36	Total 1936-37	July 1 to date shown 1935-36	July 1 to date shown 1936-37	July 1 to date shown 1937-38	Date
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	
United States 1/	21,532	15,929	21,584	14,547	19,368	95,738	May 31
Canada	169,630	237,447	213,028	209,747	199,093	85,922	May 31
Argentina	187,000	76,577	162,085	76,577	162,085	69,670	June 30
Australia	108,007	102,258	95,970	96,440	85,964	111,798	May 31
Russia	4,286	29,704	4,479	28,816	3,729	39,760	Apr.30
Hungary	12,499	14,644	27,428	11,943	26,658	8,917	May 31
Yugoslavia	4,401	728	17,302	156	14,269	4,904	Apr.30
Rumania	3,432	6,391	35,540	9,996	31,830	31,060	Apr.30
Bulgaria	375	988	7,273	954	5,859	7,104	Apr.30
British India	2,318	2,556	14,674	1,599	9,418	10,842	Feb.28
Total	513,480	487,222	599,363				
	Shipments as given by trade sources						
	Total		Week ended (1938)				
	1936-37	1937-38	June 25	July 2	July 9	July 16	
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	
North America 2/	231,832	184,720	2,096	2,640	3,309	2,965	
Canada, 4 markets 3/	194,531	86,595	510	460	467	1,244	
United States 4/	10,395	83,651	1,366	1,383	1,686		
Argentina	164,678	66,898	956	1,596	2,688	1,502	
Australia	105,836	128,184	2,540	3,048	3,257	1,126	
Russia	88	42,248	280	728	824	592	
Danube & Bulgaria 5/	65,544	37,320	208	848	344	264	
British India	14,674	15,714	640	1,200	992	440	
Total 7/	532,652	475,084					
Total European shipments 2/	484,670	397,656	5,224				
Total ex-European shipments 2/	127,192	99,400	1,768				

1/ Includes flour milled in bond from foreign wheat.
2/ Broomhall's Corn Trade News.
3/ Fort William, Port Arthur, Vancouver, Prince Rupert, and New Westminster.
4/ Official reports received from 16 principal ports only.
5/ Black Sea shipments only.
6/ Official.
7/ Total of trade figures includes North America as reported by Broomhall's but does not include items 2 and 3.

Table 8.-Exports of wheat and wheat flour from the United States, 1936-37 and 1937-38
(Includes flour milled in bond from foreign wheat)

Period	Wheat		Wheat flour		Wheat incl. flour	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	1,000 bushels	1,000 bushels	1,000 barrels	1,000 barrels	1,000 bushels	1,000 bushels
July-May	2,398	74,205	3,611	4,581	19,368	95,738
Week ended- 1/						
June 4	81	1,321	35	32	245	1,471
11	512	1,271	39	66	695	1,581
18	15	707	24	62	128	998
25	220	1,234	33	28	375	1,366
July 2	271	1,129	22	54	374	1,383
9	51	1,432	39	50	234	1,667
16	80	1,114	18	64	245	1,415

Compiled from reports of the Department of Commerce. 1/ Data for total exports from the United States by weeks are not available. These data are the total of exports through 16 of the principal ports. 2/ Preliminary.

Table 9.-Shipments of wheat, including flour from principal exporting countries, specified dates, 1936-37 and 1937-38

Period	Argentina		Australia		Danube		North America	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
July-May	157,322	59,662	93,604	114,756	61,992	35,776	213,488	167,152
Week ended-								
June 4	2,720	1,424	3,800	2,036	904	176	3,016	3,904
11	1,180	1,088	2,284	4,368	968	24	4,080	5,312
18	1,556	2,172	2,108	1,436	504	288	4,304	3,616
25	816	956	1,872	2,540	376	208	2,920	2,096
July 2	1,084	1,596	2,168	3,048	800	848	4,024	2,640
9	1,412	2,688	2,052	3,257	808	344	1,440	3,809
16	672	1,502	1,124	1,126	120	264	2,488	2,965

Compiled from Broomhall's Corn Trade News.

Table 10.- Net imports of wheat, including flour, into European countries, year beginning July 1, 1936-37 and 1937-38

Country	1936-37	1937-38 forecast	Net imports reported: July 1 to	1936-37	1937-38
	Mil.bu.	Mil.bu.		Mil.bu.	Mil.bu.
Austria	10	7	Apr. 30	8	6
Belgium	40	38	May 31	36	34
Czechoslovakia	1/ -11	1/- 1	May 31	1/ - 9	1/ - 2
Denmark	7	7	Apr. 30	6	5
Finland	4	3	May 31	3	2
France	7	15	May 31	7	14
Germany	23	48	May 31	12	45
Greece	21	13	Feb. 28	13	10
Ireland	14	14	May 31	13	13
Italy	54	7	May 31	45	5
Latvia	1	1	Apr. 30	1	1
Netherlands	21	24	May 31	20	22
Norway	9	7	May 31	8	6
Poland	1/ - 6	0	May 31	1/ - 6	2/
Portugal	2/	1	Mar.31	3/	3/
Sweden	2/	1/ -1	May 31	2/	1/-1
Switzerland	19	14	May 31	17	13
United Kingdom	199	195	May 31	183	172
Total imports of above	429	394			
Spain	6	3			
Total imports	435	397		372	348
Total exports	17	2		15	3
Total net imports	418	395		357	345

Compiled from official sources except as otherwise stated.
1/ Net exports. 2/ Net Exports of less than 500,000 bushels.
3/ Less than 500,000 bushels.

Table 11.-Soviet Union: Wheat exports, 1933-34 to 1937-38

Year beginning July 1	All frontiers 1/	South Russian ports
	Million bushels	Million bushels
1933-34	33.8	26.7
1934-35	4.3	1.7
1935-36	29.7	29.0
1936-37	4.5	0.1
1937-38 2/	39.8	42.2

1/ Including flour.
2/ July-April, only.

THE RYE SITUATION

BACKGROUND.- During the past 10 years rye acreage has remained above the pre-war level, but has been below the high level reached at the close of the War. The increase in rye production during the War period was due largely to an expansion of rye acreage into the sub-humid area of the spring Wheat Belt. Since 1924 yields have been generally below the average for the years 1910-15 and acreage abandonment somewhat larger. In 1933, 1934, and 1936 droughts greatly reduced rye yields, caused heavy abandonment and reduced supplies below domestic requirements. With more favorable growing seasons in 1935 and 1937 yields and production were much above the 10-year average.

Rye crop estimate about unchanged

Growing conditions for rye were somewhat less favorable during June than earlier in the season and the prospective United States crop was reduced about 4 million bushels during the month. July 1 conditions indicated a crop of about 51,300,000 bushels, still about 2 million bushels above the 1937 crop, and about 15 million bushels larger than the 1927-36 average production. A crop of this size, together with farm and commercial stocks of about 9,700,000 bushels would result in a total supply of around 61 million bushels which compares with 55 million bushels last year, 48 million bushels in 1936 and 70 million bushels in 1935.

On July 1 the acreage for harvest was estimated to be 3,914,000 acres which compares with 3,839,000 acres last year and the 10-year average of 3,140,000 acres. Increased acreage in the past 2 years has been accompanied by higher yields. The indicated yield for 1938 is about in line with those for the period 1900 to 1915, and much higher than the 1925-34 average yield. Indicated yields were much above average in North Dakota, South Dakota, Minnesota, Wisconsin, and Nebraska, where the bulk of the rye crop is produced. Yields somewhat above average were also indicated for most of the other States in the Middle West, while below-average yields were indicated only for a few of the Southeastern States where rye production is of minor importance.

The present prospective supply of rye will provide a liberal allowance for feeding in addition to domestic milling needs. On the other hand, the demand for rye from feeders will be reduced this year as compared with a year ago since supplies of feed grains are now much larger relative to the number of livestock on farms. In 1935-36 about 50 million bushels of rye were used domestically, in 1936-37 about 44 million bushels, and in 1937-38 about 40 million bushels.

Rye export outlook less favorable than last season

The rye crop in Europe promises to be significantly above the small harvests of 1936 and 1937, according to a report from the Berlin Office of the Bureau. The condition of the crop improved, during the past month, in Germany, Poland, and Czechoslovakia. These three countries last year produced more than 65 percent of the total European production. With increased production in important European countries and control and restriction measures in force (page 9) demand for overseas rye will be reduced.

Domestic rye prices show little net decline

The average price of No. 2 Rye at Minneapolis was 53.8 cents per bushel for the week ended July 16 or about 30 cents per bushel below the average price for July last year. Rye prices advanced about 7 cents per bushel from November to January, after which they declined during the remainder of the 1937-38 marketing year, partly as a result of favorable prospects for the 1938 crop, and partly as a result of the continued unfavorable milling and feeding demand. In view of the fact that the 1938-39 rye supply will be more than 10 percent larger than last year, prices may be expected to remain considerably below those of a year ago, at least during the first half of the present marketing year.

The reduction in the prospective 1938 rye crop during June, together with some improvement in business conditions have been price supporting factors and rye has made little net decline since early June. It now seems probable that any further declines will be only moderate and that the average price of rye for the present marketing year may not be much different from average or about 50 cents per bushel in the same period in 1935.